

From: [Fernandez, Enric](#)
To: [Kevin Lewis](#)
Subject: FW: ADEC BACT RFI
Date: Friday, February 25, 2022 3:38:03 PM

From: Kevin Annett <kannett@barrick.com>
Sent: Thursday, February 24, 2022 10:45 PM
To: Graham, Dan <dgraham@DonlinGold.com>; Richard Williams <richard.williams@novagold.com>; Paul Chilson <paul.chilson@novagold.com>
Cc: Fernandez, Enric <efernandez@DonlinGold.com>
Subject: RE: ADEC BACT RFI

Hi Dan,

You could use the WACC of either company which I would argue is closer to 8-10%. Use the CAPM formula. We can borrow at 5% but our shares are discounted at a higher rate due to market risk so the weighted average of that would be ~8%.

Regards,

Kevin

From: Graham, Dan <dgraham@DonlinGold.com>
Sent: Friday, February 25, 2022 2:03 AM
To: Richard Williams <richard.williams@novagold.com>; Kevin Annett <kannett@barrick.com>; Paul Chilson <paul.chilson@novagold.com>
Cc: Fernandez, Enric (Donlin Email) <efernandez@donlingold.com>
Subject: EXT: FW: ADEC BACT RFI
Importance: High

Richard, Kevin and Paul –

Quick question. ADEC incorporates economics into their “Best Available Control Technology” assessment when reviewing permits to see if there is new technology that would produce cleaner emissions. These are all formula driven assessments. One key number they use is a capital recovery factor. For applicants, higher is better, but needs to be justified.

Currently, the default interest rate they would apply is 5.9%. If you think of mine financing, I would say this interest rate is probably close to what we would currently be able to obtain (?). For looking at capital investments, however, you may have a higher published number that we could propose but would need the documentation to support that.

Can you weigh in on if you agree we can just run with the 5.9%, or do you feel comfortable being able to justify a higher percentage rate?

Dan

PS – just a quick twitch would help – and if the indication is the cost of money would be higher, then we would dig into the justification.

From: Fernandez, Enric <efernandez@DonlinGold.com>
Sent: Thursday, February 24, 2022 3:53 PM
To: Graham, Dan <dgraham@DonlinGold.com>
Subject: RE: ADEC BACT RFI

[\[Internal\]](#)

Dan

Any progress with this?

From: Fernandez, Enric
Sent: Tuesday, February 22, 2022 5:08 PM
To: Graham, Dan <dgraham@DonlinGold.com>
Cc: Kevin Lewis (Air Sci) <klewis@airsci.com>
Subject: FW: ADEC BACT RFI

Dan
Can you help me with this? I need it fairly fast.

From: Kevin Lewis <klewis@airsci.com>
Sent: Tuesday, February 22, 2022 2:14 PM
To: Fernandez, Enric <efernandez@DonlinGold.com>
Subject: ADEC BACT RFI

[External]

ADEC has requested that we revise the interest rate used in our control cost analysis. This is the rate used to calculate the capitol recovery cost of the Total Capital Investment of the air pollution control equipment, which is determined as follows:

Parameter	Equation	Calculated Value
Capital Recovery Factor (CRF) =	$i (1+i)^n / ((1+i)^n - 1) =$ <p>Where n = Equipment Life (25 yr) and i= Interest Rate (3.25%)</p>	0.0590

EPA allows you to “use known interest rate or use bank prime rate, available at <https://www.federalreserve.gov/releases/h15/>. The current bank prime rate from this web site is 3.25% as of 2/21/2022.

If we have justification for using a higher interest rate to represent the cost of money for Donlin to purchase the air pollution control equipment, **then we should use this higher rate** and provide ADEC with a brief explanation.

Cheers, Kevin

KEVIN LEWIS

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